Poor state of banking sector

680. SHRI IQBAL SINGH: Will the Minister of FINANCE be pleased to state:

(a) whether Government's attention has been drawn to a news-item published in 'The Tribune' dated the 24th June, 1997 under the caption "Indian banking sector in poor state";

(b) if so, the details thereof; and

(c) the Government's reaction thereto?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SATPAL MAHARAJ): (a) Yes, Sir.

(b) and (c) As per the provisional working results for the year ended 31st March 1997, public sector banks as a group have made operating profit of Rs. 8909.02 crores and net profit of Rs. 3009.50 crore as against operating profit of Rs. 7568.87 crore and net loss of Rs. 371.36 crores as at the end of March, 1996. The financial health of the public sector banks has thus improved during the year.

The percentage of NPAs of public sector banks to the total advances which stood at 24.78% in 1993-94 came down to 19.45% in 1994-95 and further to 17.12% in 1995-96. As per provisional figures available for the year 1996-97, the percentage of NPAs to total advances of public sector banks is expected to have fallen further.

Losses incurred by UCO bank

681. SHRI GYAN RANJAN: Will the Minister of FINANCE be pleased to state:

(a) whether Government's attention has been drawn to the newsitem captioned "UCO Bank reports Rs. 210 crore loss" published in the Delhi edition of the Times of India, dated 30th June, 1997;

(b) if so, the main reasons for the losses incurred by the Bank;

(c) whether Government would review the banking policy regarding advancing of loans so as to bring down the non-performing assets of the nationalised banks with a view to bring down their losses; and

(d) if so, by when such review would be made?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SATPAL MAHARAJ): (a) Government's attention has been drawn to the news item. As per the Profit & Loss account of UCO Bank for the year ended 31.3.1997, the net loss of the Bank is Rs. 176.23 crores.

(b) The main reasons for the net loss incurred by the bank during 1996-97 were high provisions for Non performing assets, high cost of deposit, decrease in interest income on advances, low productivity of staff and decline in non-fund based income etc.

(c) and (d) Banks have been advised by Reserve Bank of India (RBI) to formulate loan policy and loan recovery policy with the approval of their Management Committee/ Board of Directors. Banks are expected to take into account all relevant factors in framing these policies. Banks have been advised to bring down the level of NPAs through sustained efforts by strengthening recovery measures, entering to compromise proposals on the merits of cases keeping in view RBI guidelines and upgradation of NPAs. As a part of the performance obligation and commitments exercise, the quantum and level of NPAs of nationalised banks are reviewed in addition to review thereof by RBI with the managements of the banks after completion of the financial inspection. Banks have been advised in various fora to make sustained efforts for increasing productivity and profitability. Performance of these banks is also reviewed by the Govt. periodically.

Advise to public sector banks to set up recovery cells

682. MISS SAROJ KHAPARDE: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Government have advised all the public sector banks to set up recovery cells and also refer their NPA cases to Debt Recovery Tribunals;

(b) if so, the details thereof;

(c) whether all the banks have worked on the advice of Government in this regard;

(d) if not, which are the banks who are not implementing the advice of Government; and

(e) what action Government propose to take against the erring banks?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SATPAL MAHARAJ): (a) and (b) As a part of performance obligations and commitments finalised with Reserve Bank of India (RBI) all nationalised banks are required to constitute Recovery Cells at their Head Offices, under the charge of a General Manager.

In terms of the provisions of the Recovery of Debts due to Banks and Financial Institutions Act, 1993, every suit or other proceeding pending before any Court immediately before the date of establishment of a Tribunal under this Act being suit or proceedings the cause of action whereon it is based is such that it would have been, if it has arisen after such establishment, within the jurisdiction of such Tribunal, shall stand transferred on that date to such Tribunal. Furthermore, Government have also advised all nationalised banks to identify the fresh cases of Rs. 10 lakhs and above and pursue them with Tribunals.

(c) Public Sector banks have taken necessary steps to set up Recovery Cells. They have also started referring their NPAs to the Recovery Tribunals as per the provisions of the Act.

(d) and (e) Do not arise.

Lack of risk management skills and inadequate management information system in Banks

683. MISS SAROJ KHAPARDE: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that most of the public Sector Banks are having lack of risk management skills and inadequate management information system which are hampering their growth and causing losses to them;

(b) if so, details thereof; and

(c) what remedial measures Government propose to take in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SATPAL MAHARAJ): (a) According to Reserve Bank of India (RBI) it is not altogether correct to say that most of the public sector banks are lacking in risk management skill and adequate management information system which are hampering their growth and causing losses to them. All the public sector banks have well established systems and procedures and well qualified personnel for handling risks which are inherent in the business of banking. RBI has as a regulator/supervisor has been keeping close watch on the systems and procedures of banks.

(b) and (c) Banks have well established management information system such as (i) periodical control returns on all aspects of their business, (ii) visits by higher authorities to branches/controlling offices, (iii) periodical review of matters by the banks/Board/ Managemnent Committees/top management, to name a few important aspects such as investment portfolio, working results, overseas operations, frauds, loss making branches, bank's balance sheet profitability and working results, asset classification etc; (iv) periodical internal inspection/audit reports, RBI inspection and statutory audit reports.

RBI reviews these as well as other aspects of functioning of the banks on an ongoing basis.

Measures to widen income-tax collection base

684. SHRI GOVINDRAO ADIK: Will the Minister of FINANCE be pleased to state:

(a) whether Government have taken a series of measures to widen the income-tax collection base;

(b) if so, the details thereof;

(c) the details of response received from the tax payers to the new policy package/measures of Government; and

(d) the details thereof in major cities in the country?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SATPAL MAHARAJ): (a) Yes, Sir.